

# Washington Suburban Sanitary Commission

## MISSION STATEMENT

The Washington Suburban Sanitary Commission (WSSC) is a bi-county governmental agency established in 1918 by an act of the Maryland General Assembly. It is charged with the responsibility of providing water and sanitary sewer service within the Washington Suburban Sanitary District which includes most of Montgomery and Prince George's Counties. In Montgomery County, the Town of Poolesville and portions of the City of Rockville are outside of the District.

## WSSC PROPOSED BUDGET

The WSSC proposed budget is not detailed in this document. The WSSC budget may be obtained from WSSC's Budget Group at the Headquarters Building, 14501 Sweitzer Lane, Laurel, Maryland 20707, phone 301.206.8458 or from their website at <http://www.wsscwater.com>.

Prior to January 15 of each year, the Commission prepares preliminary proposed capital and operating budgets for the next fiscal year. On or before February 15, the Commission conducts a public hearing. The Commission then prepares and submits the proposed capital and operating budgets to the County Executives of Montgomery and Prince George's Counties by March 1.

By March 15 of each year, the County Executives of Montgomery and Prince George's Counties are required by law to transmit the proposed budgets, recommendations on the proposed budgets, and the record of the public hearing held by WSSC to their respective County Councils.

Each County Council may hold public hearings on the proposed budgets of WSSC, but no earlier than 21 days after receipt from the County Executive. Each County Council may add to, delete from, increase, or decrease any item in either budget. Additionally, each County Council is required by law to transmit by May 15 any proposed changes to the other County Council for review and concurrence. The failure of both Councils to concur on changes constitutes approval of the item as originally proposed by WSSC. Should the County Councils fail to approve the budgets on or before June 1 of each year, the proposed budgets of WSSC are adopted.

## HIGHLIGHTS

\* Operate and maintain a system of 3 reservoirs impounding 14 billion gallons of water, 2 water filtration plants, 7 wastewater treatment plants, 5,300 miles of water main, and 5,200 miles of sewer main 24 hours a day, 7 days a week.

\* Meet or surpass all Federal and State water and wastewater quality standards and permit requirements.

\* Keep maintenance service at a level consistent with the objective of arriving at the site of a customer's emergency maintenance situation within two hours of receiving the complaint and restoring service within 24 hours of a service interruption.

### Spending Control Limits

Last Fall, the Councils approved FY07 Spending Control Limits for WSSC. The Spending Control Limits process requires the Counties to set annual ceilings on WSSC's water and sewer rates and debt (both bonded indebtedness and debt service), and then adopt corresponding limits on the size of the capital and operating budgets. As required by Council resolution, both Councils must agree on guidelines by November of each year. The two Councils must not approve capital and operating budgets in excess of the approved Spending Control Limits unless a majority of each Council votes to approve them. If the two Councils cannot agree on expenditures above the Spending Control Limits, they must approve budgets within these limits.

The table below shows Spending Control Limits for FY07 adopted by the Councils compared to WSSC's proposed budget and the County Executive's recommendations. A limit of 3.0 percent was adopted by the two Councils as an appropriate ceiling for the FY07 water and sewer rate increase. The table indicates decreases of \$4.2 million and approximately \$300,000 in new debt and debt service and water and sewer operating expenses between WSSC's request and the County Executive's recommendation. These decreases are related to estimate adjustments for the Blue Plains Advanced Wastewater Treatment Plant (WWTP), as explained below.

Both WSSC's request and the County Executive's recommendation technically exceed the limit for total water and sewer operating expenses due to the inclusion of additional plumbing inspectors in the budget. However, additional revenue received from inspection fees will offset the costs. Since an adjustment in water and sewer rates is not required, the County Executive supports the slight increase.

Spending Control Limits Comparison			
\$ in millions	Spending Control Limits	WSSC Proposed	CE Recommended
Water/Sewer bill increase	3.0%	3.0%	3.0%
New debt*	\$135.3	\$135.3	\$131.1
Debt Service (d.s.)	\$151.8	\$151.8	\$151.5
Water/Sewer Op. Exp. (inc. d.s.)	\$423.3	\$424.0	\$423.7

\* New debt includes a system completion factor of 80%

## FY07 COUNTY EXECUTIVE RECOMMENDATIONS

### Capital Budget

#### Expenditures

Decrease capital expenditures (\$4.5 million): In January 2006, the County Executive's recommendations on WSSC's FY07-12 CIP included a \$4.7 million decrease in the Blue Plains Advanced WWTP project estimates to align with amounts proposed by the District of Columbia's Water and Sewer Authority (WASA). Subsequently, WSSC requested inclusion in the CIP of the new developer-funded Twinbrook Commons Sewer project with expenditures of \$238,000 in FY07. The County Executive supports inclusion of this project in the CIP. As such, the net decrease to the Capital Budget is approximately \$4.5 million. WSSC concurs with these recommendations.

### Operating Budget

#### Expenditures

Decrease Debt Service and expenditures (\$305,000): The FY07 WSSC Operating Budget is influenced, in part, by the level of expenditures authorized in the first year of the FY07-12 CIP and other expenditures in the WSSC Capital Budget. The Operating Budget includes expenditures for debt service on bonds that finance the construction of CIP projects, lateral water and sewer lines (which carry water or wastewater to and from a dwelling or business), and other capital projects.

Approximately \$4.2 million (all associated with the Blue Plains Advanced WWTP project) of the \$4.5 million recommended decrease in the Capital Budget is funded by water and sewer rate-supported debt. The County Executive recommends a related decrease in debt service of \$305,000. Fiscal projections for all funds and budgets are shown below. Six year projections for the Water and Sewer Operating budget are shown in the display on the following page.

Expenditure by Category - Executive Recommended FY07							
	(\$000s)						
	WSSC	WSSC	WSSC	CE	CE	CE	
	Total	Total	Total	Capital	Operating	Total	% Chg.
	Actual	Approved	Proposed	Rec	Rec	Rec	Req /
	FY05	FY06	FY07	FY07	FY07	FY07	Rec.
Expenditure Categories							
Salaries and Wages	89,804	97,453	101,140	18,508	82,632	101,140	0.0%
Heat, Light, & Power	15,273	16,677	20,251	0	20,251	20,251	0.0%
Sewage Disposal	35,564	36,060	37,502	0	37,502	37,502	0.0%
Contract Work	51,264	116,157	123,908	123,908	0	123,908	0.0%
Consulting Engineers	10,628	23,433	23,217	23,217	0	23,217	0.0%
All Other	185,966	242,689	222,322	84,801	133,035	217,836	-2.0%
Debt Service	197,062	226,697	228,761	91	228,365	228,456	-0.1%
Total Budget	585,561	759,166	757,101	250,525	501,785	752,310	-0.6%
Note: Expenditures include water, sewer, and interest and sinking funds							

## PROGRAM CONTACTS

Contact Sheila Cohen of the Washington Suburban Sanitary Commission at 301.206.8167 or Douglas M. Weisburger of the Office of Management and Budget at 240.777.2762 for more information regarding this agency's capital and operating budgets.

**WSSC PROPOSED: FORECAST FOR WATER & SEWER OPERATING FUNDS**

<b>FISCAL PROJECTIONS</b>	<b>FY06 ESTIMATED</b>	<b>FY07 PROPOSED</b>	<b>FY07 RECOMMENDED</b>	<b>FY08 PROJECTION</b>	<b>FY09 PROJECTION</b>	<b>FY10 PROJECTION</b>	<b>FY11 PROJECTION</b>	<b>FY12 PROJECTION</b>
<b>ASSUMPTIONS (\$000)</b>								
New Water/Sewer Debt	\$113.7	\$135.3	\$131.1	\$138.8	\$139.9	\$155.4	\$135.8	\$128.1
Total Water/Sewer Operating Expenses	\$415.1	\$424.0	\$423.7	\$434.5	\$457.3	\$469.0	\$482.0	\$494.1
Debt Service	\$150.5	\$151.8	\$151.5	\$156.8	\$165.4	\$169.8	\$172.0	\$172.0
Total Water/Sewer Bill Increase	2.5%	3.0%	3.0%	4.6%	4.9%	4.1%	2.8%	2.3%
<b>BEGINNING FUND BALANCE</b>	<b>77,719</b>	<b>65,955</b>	<b>65,955</b>	<b>57,348</b>	<b>53,758</b>	<b>47,618</b>	<b>46,708</b>	<b>46,708</b>
<b>REVENUES</b>								
Water & Sewer Rate Revenue	342,378	351,738	351,738	369,690	389,429	407,352	420,761	432,384
Interest Income	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
Account Maintenance Fee (Service Chg)	22,100	22,400	22,400	22,700	23,000	23,300	23,600	23,900
Miscellaneous	22,920	23,103	23,103	22,780	23,080	23,380	23,680	23,980
<b>Total Revenues</b>	<b>390,898</b>	<b>400,741</b>	<b>400,741</b>	<b>418,670</b>	<b>439,009</b>	<b>457,532</b>	<b>471,541</b>	<b>483,764</b>
SDC Debt Service Offset	2,905	2,809	2,809	2,710	2,611	2,512	2,413	2,314
Reconstruction Debt Service Offset	8,000	10,000	10,000	8,000	8,000	8,000	8,000	8,000
Use of Prior Year Net Revenue	17,246	10,412	10,412	5,090	7,640	910	0	0
Less Rate Stabilization	(1,482)	0	0	0	0	0	0	0
<b>TOTAL FUNDS AVAILABLE</b>	<b>417,567</b>	<b>423,962</b>	<b>423,962</b>	<b>434,470</b>	<b>457,260</b>	<b>468,954</b>	<b>481,954</b>	<b>494,078</b>
<b>EXPENDITURES</b>								
Salaries and Wages	78,231	82,050	82,050	84,616	88,002	91,523	95,185	98,994
Heat, Light, and Power	16,677	20,251	20,251	21,131	23,002	24,371	25,452	26,633
Regional Sewage Disposal	36,060	37,502	37,502	38,627	39,786	40,980	42,209	43,476
Debt Service	150,502	151,833	151,528	156,765	165,364	169,765	172,045	172,030
Debt Reduction (PAYGO)	13,024	1,482	1,482	0	0	0	0	0
All Other	120,573	130,844	130,844	133,331	141,106	142,315	147,063	152,945
<b>TOTAL USE OF RESOURCES</b>	<b>415,067</b>	<b>423,962</b>	<b>423,657</b>	<b>434,470</b>	<b>457,260</b>	<b>468,954</b>	<b>481,954</b>	<b>494,078</b>
<b>REVENUE/EXPENDITURE SURPLUS/(GAP)</b>	<b>2,500</b>	<b>0</b>	<b>305</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>YEAR END FUND BALANCE w/o additional \$1.5 m reserve</b>	<b>64,455</b>	<b>55,543</b>	<b>55,848</b>	<b>52,258</b>	<b>46,118</b>	<b>46,708</b>	<b>46,708</b>	<b>46,708</b>
<b>Additional \$1.5 million Reserve Annual Contribution</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL YEAR END FUND BALANCE</b>	<b>65,955</b>	<b>57,043</b>	<b>57,348</b>	<b>53,758</b>	<b>47,618</b>	<b>46,708</b>	<b>46,708</b>	<b>46,708</b>
Debt Service as a Percent of Budget	36.3%	35.8%	35.8%	36.1%	36.2%	36.2%	35.7%	34.8%
Estimated Water Production (MGD)	168.7	168.5	168.5	169.0	169.5	170.0	170.5	171.0
5% Reserve (water and sewer revenue)	17,119	17,587	17,587	18,485	19,471	20,368	21,038	21,619
<b>Assumptions:</b> 1. FY08-12 reflects WSSC's multi-year forecast and assumptions which are not adjusted to conform with the County Executive's Recommended CIP for WSSC. The projected future expenditures, revenues, and fund balances may be based on changes to rates, fees, usage, inflation, future labor agreements, and other factors not assumed here. 2. The County Executive's operating budget recommendation is for FY07 only and includes the revenue and resource assumptions of that budget. 3. Rate stabilization is the implementation of a customer bill increase greater than the amount needed to support planned operating expenses in order to avoid a large future bill increase and to fund capital projects with cash to avoid the issuance of additional debt.								

